



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: To receive testimony/final action - vote expected
Keywords: EDF, economic development

AGENDA ITEM #5
March 24, 2020
Public Hearing/Action

SUBJECT

Supplemental appropriation to the County Government's FY20 Operating Budget, Department of Finance - \$3,500,000 for Economic Development Fund

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- The Economic Development Fund (EDF) does not have \$3.5 million of unused appropriation as recommended by the Executive; it has about \$1.9 million in unused appropriation. The Council must indicate a different source of funding before action. Council staff provides two options:
 - a. Appropriate \$2.0 million from the undesignated reserves and note that the Executive may use \$1.5 million from the unused appropriation in the EDF to fund this agreement.
 - b. Appropriate \$3.5 million from the undesignated reserves to the EDF. This will allow the \$1.9 million of unused appropriation in the EDF to be used for other purposes.

Council staff will amend the resolution per the Council's vote today.

DESCRIPTION/ISSUE

The Executive requests a supplemental appropriation totaling \$3.5 million to support the County's EDF Agreement with Federal Realty Investment Trust (FRIT) for the construction of a new office building in White Flint. The Council previously supported the use of the EDF in 2018. The County Code requires the Executive to fund any EDF transaction greater than \$500,000 through a supplemental appropriation.

SUMMARY OF KEY DISCUSSION POINTS

- The County's grant will total \$5.0 million – an initial installment of \$3.5 million and annual disbursements of \$0.25 million for six years. The \$3.5 million supplemental appropriation will be funded with the current fund balance in the EDF.
- The agreement allows the County to recoup this grant from development credits through the Washington Suburban Sanitary Commission. **The timing of these repayments is unknown.**
- The agreement between the County and FRIT has not been executed. This agreement must be executed before disbursement occurs.

This report contains:

Executive memo

© #1

Proposed resolution

© #2

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Marc Elrich
County Executive

MEMORANDUM

February 25, 2020

TO: Sidney Katz, President, County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Supplemental Appropriation #20-452 to the FY20 Operating Budget
Montgomery County Government
Department of Finance
Economic Development Fund, \$3,500,000

I am recommending a supplemental appropriation to the FY20 Operating Budget of the Department of Finance in the amount of \$3.5 million for an Economic Development Fund (EDF) conditional grant to Federal Realty Investment Trust (FRIT). The grant's purpose is twofold: it will facilitate the consolidation and retention of FRIT's offices and national headquarters in Montgomery County, and will assist in the completion of FRIT's new commercial office building and parking garage at its Pike and Rose development in North Bethesda. The County Council approved a financial incentive to FRIT on November 14, 2018.

This appropriation will fund the first installment - \$3.5 million - of a total \$5 million conditional grant to Federal Realty Investment Trust, Inc. The remaining \$1.5 million will be disbursed in six consecutive annual installments of \$250,000, beginning in FY21. Of the total \$5 million conditional grant, approximately \$4 to \$4.3 million will be recouped, as FRIT is assigning to Montgomery County its WSSC Systems Development Charge Credits for work they have already completed in the White Flint vicinity. While this incentive is structured differently than most EDF projects, all requirements, provisions, and procedures associated with an Economic Development Fund conditional grant will be applied to this project.

I recommend the County Council approve this supplemental appropriation in the amount of \$3.5 million for the Economic Development Fund and specifies that the source of funds will be the Economic Development Fund Balance.

I appreciate your prompt consideration of this action.

ME:pmg

Attachment: Supplemental Appropriation #20-452

c: Richard S. Madaleno, Director, Office of Management and Budget Director
Michael J. Coveyou, Acting Director, Department of Finance
Tina Benjamin, Manager, Special Projects, Office of the County Executive
Pofen L. Salem, Ph.D., Senior Fiscal and Policy Analyst, Office of Management and Budget
Laurie Boyer, Economic Development Manager, Department of Finance
Peter McGinnity, Economic Development Fund Administrator, Department of Finance

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #20-452 to the FY20 Operating Budget
Montgomery County Government
Department of Finance
Economic Development Fund, \$3,500,000

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
2. The County Executive has requested the following FY20 Operating Budget appropriation increases for the Department of Finance:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$3,500,000	\$0	\$3,500,000	Economic Development Fund Balance

3. This increase supports an initial economic development financial incentive of \$3,500,000 that has been recommended by the County Executive and approved by the County Council and offered to Federal Realty Investment Trust, Inc. as part of a total \$5,000,000 conditional grant. The remaining \$1,500,000 will be disbursed in six consecutive annual installments of \$250,000 beginning in FY21. Over \$4,900,000 of the \$5,000,000 conditional grant will be recouped through the assignment of FRIT's WSSC Systems Development Charge Credits to the County. Section 20-75 (d) of the County Code requires a supplemental appropriation for any financial appropriation for any financial incentive of \$500,000 or greater from the Economic Development Fund.
4. The County Executive recommends a supplemental appropriation to the FY20 Operating Budget in the amount of \$3.5 million for the Economic Development Fund and specifies that the source of funds will be the Economic Development Fund Balance.
5. Notice of public hearing was given, and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the FY20 Operating Budget of the Department of Finance is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$3,500,000	\$0	\$3,500,000	Economic Development Fund Balance

This is a correct copy of Council action.

Selena Singleton, Clerk of the Council